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# CAR BUYER'S BILL OF RIGHTS

## *Important Facts About a New Law that Substantially Impacts the Purchase of New and Used Vehicles*



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The law, which takes effect July 1, 2006, affects retail vehicle sales handled by licensed car dealers in California. This law does not apply to motorcycles and off-highway motor vehicles or to transactions between private parties.

Major changes include:

**For new and used car buyers:**

- Dealers must provide an itemized price list for items such as warranties and insurance, etc., if the items are being financed.
- Dealer compensation from an institution financing the purchase of a vehicle is limited to no more than 2 percent for a loan term over 60 months and 2.5 percent for a loan term of 60 months or less.
- Dealers must provide buyers with their credit score and an explanation of how it is used.

**For used car buyers only:**

- A used car buyer may obtain a two-day sales contract cancellation option.
- Used cars advertised as “certified” must meet specific requirements.

**Used car buyers may purchase a two-day sales contract cancellation option.**

There is no “cooling off” period unless you obtain a contract cancellation option. Consumers who purchase a used car for less than \$40,000 must be given an opportunity to purchase a two-day Contract Cancellation Option Agreement.

***Important:** The contract cancellation option does not apply to used cars priced at \$40,000 or more, new cars, private party sales, motorcycles, off-road vehicles, recreational vehicles, or vehicles sold for business or commercial use.*

**Cancellation option specifics:**

The following indicates how much you can expect to pay if you choose to purchase the contract cancellation option:

- \$75 for a vehicle costing \$5,000 or less;
- \$150 for a vehicle costing more than \$5,000, but not more than \$10,000;
- \$250 for a vehicle costing more than \$10,000, but not more than \$30,000; or
- One percent of the purchase price for a vehicle costing more than \$30,000, but not more than \$39,999.99.



If you choose to return the vehicle, within the time specified, the dealer can charge a maximum restocking fee of:

- \$175 for a vehicle costing \$5,000 or less;
- \$350 for a vehicle costing more than \$5,000, but less than \$10,000; or
- \$500 for a vehicle costing \$10,000 but less than \$40,000.

**Note:** If the contract cancellation fee was charged, it must be deducted from the restocking fee.

### **Returning a vehicle using the contract cancellation option:**

The buyer must return the vehicle:

- To the dealer he or she bought it from by close of business within two days, or more, if allowed by the contract;
- With no miles in excess of those permitted by the contract (the dealer may limit the number of miles a vehicle can be driven during the contract cancellation period, but it may not be a number less than 250 miles);
- With all original receipts of the sales and cancellation option contracts;
- In the same condition as it was received, except for reasonable wear and tear and any defects or mechanical problems occurring after the buyer takes possession of the vehicle; and
- Free of all liens and encumbrances, other than any lien or encumbrance created by the sales contract.

When the car is returned, the dealer must provide to the buyer:

- A full refund, including sales tax, any registration fees, and any deposit or trade-in vehicle collected from the buyer. (**Note:** The fee charged for the contract cancellation option is non-refundable. If the dealer did not charge for the option and has sold or transferred title to the vehicle that the buyer used as a down payment or trade-in, the fair market value or value stated in the sales contract, whichever is greater, must be refunded.)
- If the buyer has not returned the vehicle by the standards set above, the dealer has the right to refuse to accept return of the vehicle; however, written notice must be provided to the buyer.

### **Prohibited, “certified” used vehicles:**

The dealer must perform a complete inspection of the vehicle and must provide consumers with a copy of the inspection report. Dealers are prohibited from advertising a vehicle as “certified” if:

- The odometer does not indicate the actual mileage of the vehicle.
- The vehicle was purchased under state or federal warranty law (repurchased by the manufacturer or dealer).
- The vehicle was damaged by accident, fire, or flood unless repaired to safe operational condition prior to sale.
- The title was branded as a Lemon Law Buyback, manufacturer repurchase, salvage, junk, non-repairable, flood, or similar designation.
- The vehicle has frame damage or was sold “as is.”
- The seller failed to provide the buyer with a complete inspection report of all components inspected.

**Important:** Inquire as to why the vehicle cannot be certified.

## **Written disclosure of purchase price for items usually listed with the monthly payment contract**

The dealer must provide a document indicating the price of specified items purchased and the effect of those items on installment payments. (Civil Code §2982.2)

- Items requiring disclosure include a service contract, an insurance product, a debt cancellation agreement (“gap” insurance), a theft deterrent device, a surface protection product, and a vehicle Contract Cancellation Option Agreement.
- No charges may be added to the contract without full disclosure and without your consent.
- The document must advise you of the cost of the monthly installment payments with and without items listed.

## **Finance fee caps for auto financing**

- If a dealer obtains financing on your behalf, the dealer compensation from an institution financing the purchase of a vehicle is limited to no more than:
- 2 percent of the purchase amount for contracts with a term of more than 60 months; or
- 2.5 percent of the purchase amount for contracts with a term of 60 months or less.
- This limitation does not apply when the assignment requires the dealer to bear the entire risk of financial performance for you or when the assignment is more than six months after the date of the conditional sale contract.

## **Written disclosure about your consumer credit score**

Dealers must provide a “Notice to Vehicle Credit Applicant” document, which discloses:

- The credit score obtained and used by the dealer and the name of the credit reporting agency providing the credit score to the dealer;
- The range of possible credit scores established by the credit reporting agency that provided the credit score;
- The address and telephone number of each credit reporting agency providing a credit score that was obtained and used by the dealer.

## **You may contact your local DMV Investigations Office**

If the dealer fails to comply with the Car Buyer’s Bill of Rights, you may complete and mail a Record of Complaint Form (INV 172A) to the Department of Motor Vehicles. The form is available:

- On the Internet at [www.dmv.ca.gov](http://www.dmv.ca.gov) under the Forms menu,
- By calling **1-800-777-0133** to have it mailed to you, or
- At your local DMV field office.

The form provides the addresses of DMV Investigations District Offices.

## **To check a dealer’s license status**

You can check a dealer’s license status by going online at [www.dmv.ca.gov](http://www.dmv.ca.gov) and click on the links:

- “Online Services,” and
- “Occupational Licensing Information System.”



## **Civil disputes**

Whenever possible, you should attempt to resolve the problem with the other party or firm. If you are unable to obtain a resolution, you may consider contacting a private attorney or the small claims division of the county court in your community. Refer to the County Government section of your local telephone directory for the county court in your area. You may also contact a legal aid group for assistance. Legal aid agencies can provide free legal advice or represent people who cannot afford private counsel. Legal aid groups are also listed in the white pages of your local telephone directory.

## **Other consumer alternatives**

Many consumers feel it is worthwhile to contact their local Better Business Bureau to register complaints regarding area businesses. Refer to the business section of your local telephone directory for the address and/or telephone number of the Better Business Bureau in your area. Also, many local television and radio stations offer free consumer assistance through a special telephone number or address.

For assistance and guidance in filing consumer complaints, contact:

### **Office of the Attorney General**

**[www.ag.ca.gov](http://www.ag.ca.gov)**

**1-800-952-5225**

For help finding the right government agency to assist with your problem, contact:

### **California Department of Consumer Affairs**

**[www.dca.ca.gov](http://www.dca.ca.gov)**

**1-800-952-5210**

### **Bureau of Automotive Repair**

**[www.smogcheck.ca.gov](http://www.smogcheck.ca.gov)**

**1-916-255-4300**

### **Arbitration Certification Program**

**[www.dca.ca.gov/acp/](http://www.dca.ca.gov/acp/)**

**1-916-574-7350**

***Disclaimer:** When using this Fast Facts brochure, please remember that it is only a summary of the law. DMV, law enforcement, and the courts follow the full and exact language of the law contained in the California Vehicle Code and Civil Code. If there is a conflict, this brochure cannot be relied upon as the law.*

